2023 Final Results, 7 March 2024

TT Electronics plc

Results for the year ended 31 December 2023

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A management presentation for analysts and investors will be held today at 0800hrs and can be accessed on https://stream.brrmedia.co.uk/broadcast/65a7a5a9c5ec665c02ecf6d4

A recording of the presentation and Q&A session will be available on the website later in the day.

A PDF of this full year announcement is available for download from https://www.ttelectronics.com/investors/investor-highlights/reports-presentations-videos/.

Results for the year ended 31 December 2023

Strong profit growth, margin enhancement and cash generation

£ million (unless otherwise stated)	Adjusted Results[1]				Statutory Results	
	2023	2022	Change	Change constant fx	**2023**	2022
Revenue	**613.9**	617.0	(1)%	1%	**613.9**	617.0
Operating profit/(loss)	**52.8**	47.1	12%	16%	**8.7**	(3.4)
Operating profit margin	**8.6%**	7.6%	100bps	110bps	**1.4%**	(0.6)%
Profit/(loss) before taxation	**43.0**	40.4	6%	11%	**(1.1)**	(10.1)
Earnings/(loss) per share	**19.2p**	18.2p	5%	10%	**(3.9)p**	(7.5)p
Return on invested capital	**12.0%**	10.5%				
Cash conversion	**92%**	33%				
					2023	2022
Free cash flow[1]					**23.9**	(13.1)
Net debt[1]					**126.2**	138.4
Leverage[1]					**1.7x**	2.0x
Dividend per share					**6.8p**	6.3p

Financial Highlights

- Free cash flow of £23.9 million with cash conversion at 92% and leverage reduced to 1.7x
- Adjusted Group operating margin up 110 bps to 8.6% (8.9% excluding pass-through), supported by strong recovery in Power & Connectivity
- Adjusted operating profit growth of 16%
- Full year revenue up 3% year-on-year at constant currency excluding pass through revenue
- Statutory operating profit of £8.7 million (including a £32.5 million non-cash fair value write down of assets held for sale), statutory basic EPS loss of 3.9p
- ROIC increased 150 bps to 12.0%
- Total dividend increase of 8% to 6.8p, reflecting strong performance and positive outlook

Operational highlights

- Excellent business development success, with 37 significant contract awards delivering c. £250 million of potential lifetime revenues
- Agreement for sale of Cardiff, Hartlepool and Dongguan business units for £20.8 million on cash and debt free basis signed - expected to enhance margins and reduce leverage
- Broadened our customer offering by extending our capabilities in Mexico
- Successful transfer of Ferranti business to a modern facility in Greater Manchester
- Achieved employee engagement score[2] in line with 3 star ‘world class companies to work for’
- Delivered an 18% reduction in Scope 1 & 2 emissions
- Environmental ratings of AA from MSCI and an improved B- rating from CDP

Outlook

- Order book visibility remains above historic, pre-Covid levels – total order cover at December c.11 months revenues of which c. 9 months relates to 2024 revenues
- Focus on improved operational execution driving continued earnings growth
- Strong free cash flow generation and continued reduction in leverage expected
- On track to deliver 10% group operating margin in 2024
- Capital Markets event on 9 April to provide details of our actions and plans to accelerate the execution of a refreshed strategy, that will unlock value and deliver continued growth.

Peter France, Chief Executive Officer, commented:

"2023 was a year of strong operational and financial progress. The Group has delivered against the priorities that were set for the year: strong free cash generation has led to further reduction in leverage, and our strong order book was converted into double-digit operating profit growth, with good operating margin progression supported by a recovery in our P&C business.

I was delighted to join TT as CEO last October. TT is a strong business with robust fundamentals, talented people and market leading technologies. It is well-aligned with global megatrends, driving demand from our high growth end markets. We have the foundations from which to accelerate the execution of our strategy aimed at delivering sustainable disciplined growth, improved margins and a strong balance sheet. I see considerable opportunity to unlock further value in the business by strengthening operational execution, expanding and optimising our routes to market and by enhancing product innovation. A first step in driving improved margins and simplifying the portfolio is the recently announced sale of our businesses in Cardiff, Hartlepool and Dongguan. I look forward to sharing more detail of my plans as part of our Capital Markets presentation on 9 April.

Based on the strength and level of visibility in our order book, current end market activity and operational improvement initiatives that are underway, while mindful of the wider macro environment, we are on track to deliver a 10% operating margin in 2024."

About TT Electronics

TT Electronics is a global provider of engineered electronics for performance critical applications.

TT solves technology challenges for a sustainable world. TT benefits from enduring megatrends in structurally high-growth markets including healthcare, aerospace, defence, electrification and automation. TT invests in R&D to create designed-in products where reliability is mission critical. Products designed and manufactured include sensors, power management and connectivity solutions. TT has design and manufacturing facilities in the UK, North America, and Asia.

Notes

1. *Throughout this announcement we refer to a number of alternative performance measures which provide additional useful information. The Directors have adopted these measures to provide additional information on the underlying trends, performance and position of the Group with further details set out on pages 17 to 18. The adjusted measures used are set out in the 'Reconciliation of KPIs and non IFRS measures' section on pages 42 to 49.*
2. *Survey by Best Companies Ltd*

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

Having joined TT in October, I have now visited nearly all of our sites, spent time with colleagues and met a number of our customers and other stakeholders. I have been greatly impressed by the quality of our people, the strength of the TT culture and the depth of our customer relationships.

The Group has delivered on all its priorities set at the beginning of 2023: it has converted its strong order book into revenue and profit growth, increased the margin by 110bps, and continued to improve the performance in its Power and Connectivity (P&C) division. From a balance sheet perspective, strong free cash flow generation has resulted in reduced net debt and a further reduction in leverage.

The Group's 2023 performance was led by the improvement in our P&C business, with Global Manufacturing Solutions (GMS) sustaining its best-in-class margin performance. The overall result of our Sensors & Specialist Components (S&SC) business was impacted by the one-off HVAC breakdown at Plano, which affected production from June through to September and resulted in a £3 million reduction in divisional profits.

I am excited about the potential for TT and can see opportunities to unlock further value across the business: driving growth, efficiencies and performance by capitalising on our positions in the structural growth markets in which we operate, by optimising our operational execution and by enhancing our innovation and product development strengths.

Our relationships with customers are long-term and collaborative in nature delivering positive order intake in the year. We secured 37 significant contract wins that are expected to deliver circa £250 million of potential lifetime revenue. As anticipated, we have seen order intake normalisation during the second half as lead times have reduced, however, our order book continues to provide levels of forward visibility ahead of historic, pre-Covid levels, and we are now starting to see order intake begin to improve again. At the end of December, the order book gives us visibility over circa 11 months of revenues, of which 9 months relates to 2024 revenues.

During the year organic investment in the business totalled £33.2m; we have invested £10.8 million in research and development (R&D) and £22.4 million in capital expenditure. This is an important and substantial investment in our future to support growth and the development and enhancement of our pipeline of new products. It included £4.5 million on the move of the acquired Ferranti business to a new facility in Greater Manchester and £4.1 million on expanding our manufacturing capabilities in Mexicali.

Environmental, social and governance (ESG) principles are central to our purpose, and our growth expectations partly reflect opportunities presented by the move to a lower carbon world for our design-led technologies. We have made further excellent progress in 2023 to reduce our Scope 1 and Scope 2 carbon emissions. These have decreased by 18 per cent in the year to 10,533 tonnes and are down 62 per cent against our 2019 baseline. In adjusting for revenue growth within the business, the intensity ratio has improved from 56 in 2019 to 17 in 2023. This improvement has been achieved due to our energy efficiency actions and switching to the use of electricity from renewable sources.

We were delighted to attain a 2023 employee engagement score in line with the three star "world class companies to work for" Best Companies Ltd benchmark, reflecting the importance we attribute to living the TT values every day.

Results and operations

Revenue for the year was £613.9 million, 1 per cent higher than the prior year at constant currency and 3 per cent higher excluding the impact of the unwind of pass-through revenues. Reported revenue included £19.9 million of zero margin pass-through revenues, a £10.4 million reduction on 2022 at constant currency. This relates to materials where we experienced very significant cost inflation which was being transparently passed on to customers with no margin mark-up.

Adjusted operating profit was £52.8 million, 16 per cent higher than the prior year at constant currency, reflecting the benefits of volume growth, improved pricing and the balance of the benefits of our self-help programme. The adjusted operating margin was 8.6 per cent. Excluding zero margin pass-through revenues, adjusted operating margin was 8.9 per cent.

After the impact of adjusting items, including restructuring, pension, acquisition and disposal costs, and a non-cash asset write-down, the Group's full-year statutory operating profit was £8.7 million. The non-cash write-down of £32.5 million relates to the recently announced disposal of businesses in the P&C and GMS divisions, referred to internally as "Project Albert". Cash flow impacting adjusting items totalled £4.0 million.

Adjusted earnings per share (EPS) increased to 19.2 pence (2022: 18.2 pence), reflecting the improved adjusted operating profit in the period offset by higher interest charges. Basic EPS was a loss of 3.9 pence (2022: 7.5 pence loss).

Cash conversion returned to target levels, at 92 per cent (2022: 33 per cent) and with significantly reduced cash impacting adjusting items and a pension surplus refund (see below), cash generation has inflected resulting in a free cash inflow of £23.9 million (2022: outflow £13.1 million). Adjusted operating cash inflow post capital expenditure during the period was £48.8 million (2022: £15.7 million). On a statutory basis, cash flow from operating activity was £62.9 million (2022: £12.7 million).

Following the buy-in of our UK defined benefit pension scheme (the "Scheme") in November 2022, the Scheme is de-risked with scheme liabilities now matched by the buy-in insurance policy. Given the higher level of confidence over there ultimately being a surplus in the Scheme at the point of wind-up, in December, the Scheme made an initial surplus refund to the Company of £5.0 million less tax (£3.2 million net).

We ended the year with net debt of £126.2 million[1] (2022: £138.4 million), including lease liabilities of £20.8 million (2022: £23.1 million). Year-end leverage was 1.7 times (2022: 2.0 times), within the Board's target leverage range of 1-2 times. We are confident this downward trajectory will continue as EBITDA increases and as we deliver further strong free cash flow in 2024.

Our return on invested capital was 12.0 per cent in 2023, increasing by 150 basis points due to the growth in adjusted operating profit, combined with the high cash conversion which meant there was only a limited increase in invested capital.

On 4 March 2024 we announced that we had agreed to divest our business units in Cardiff and Hartlepool, UK and Dongguan, China for £20.8 million on a cash and debt free basis. These assets were classified as held for sale at

[1] *Includes £1 million of net funds within assets held for sale*

31 December 2023 and were written down by £32.5 million reflecting fair value and costs to sell. The disposal is expected to complete by the end of Q1 2024 and is expected to enhance group margins and improve leverage.

Dividend

Given our strong trading performance in 2023 and the positive outlook, the Board is proposing a final dividend of 4.65 pence per share. The total cash cost of this dividend will be approximately £8.2 million. This, when combined with the interim dividend of 2.15 pence per share gives an increase of 8 per cent in the total dividend to 6.8 pence (2022: 6.3 pence per share). Payment of the dividend will be made on 15 May 2024, to shareholders on the register at 12 April 2024.

Our strategy

The Group is positioned in attractive structurally growing markets. Our customer partnerships are long-term in nature with an extended order book providing circa 11 months of visibility. We are targeting through-cycle, outperformance of the medium-term growth in our end markets of 4-6 per cent, driven in part by our business development success with higher growth, blue-chip customers. We are focused on generating optimum returns for all our stakeholders while maintaining capital discipline, delivering strong cash generation and careful use of the balance sheet to facilitate continued investment.

We look forward to presenting more detailed thoughts on a refreshed strategy for the Group at the Capital Markets event on 9 April 2024. TT has a strong platform from which to accelerate growth. Alongside this, we see a number of opportunities across the Group to create additional value by focusing on operational excellence, commercial discipline and innovation. The Group structure is evolving to improve execution and enable greater collaboration and we will provide more details of our plans in April.

On track to deliver 10% margins in 2024

The pursuit of higher margins remains core to the Group's strategy. In 2023 the Group made good progress delivering a 110 basis point improvement in adjusted operating margin to 8.6 per cent. Excluding the impact of pass-through revenues, adjusted operating margin was 8.9 per cent. We anticipate pass-through revenues becoming significantly less pronounced in 2024.

The reduction in pass-through revenues, the recently announced Project Albert disposal and our focus on efficiency, costs and pricing discipline alongside operational leverage on growth, where we have good visibility from our order book, all underpin our confidence in achieving a 10% operating margin in 2024.

Outlook

TT is a strong business with robust fundamentals, talented people and market leading technologies. It is well-aligned with global megatrends, driving demand from our high growth end markets. The foundations are set from which to accelerate the execution of our strategy aimed at delivering sustainable, disciplined growth, improved margins and a strong balance sheet. There is considerable opportunity to unlock further value in the business by strengthening operational execution, expanding and optimising our routes to market and by enhancing product innovation. A first step in driving improved margins and simplifying the portfolio is the recently announced sale of our businesses in Cardiff, Hartlepool and Dongguan.

Based on the strength and level of visibility in our order book, current end market activity and operational improvement initiatives that are underway, while mindful of the wider macro environment, we are confident we are on track to deliver a 10% operating margin in 2024.

Our markets

Healthcare (24 per cent of Group revenue)

In healthcare, we provide design and manufacturing solutions for a range of diagnostic, surgical and direct patient care devices critical to the identification, treatment and prevention of disease. Growth is driven by a combination of ageing populations, growing patient expectations and the importance of digitalisation; electronics plays a central role in advancing the progress of medical technology.

We have increased our exposure to this attractive end market from 13 per cent of Group revenue in 2015 to 24 per cent in 2023. Our power, connectivity and sensor technologies span the modern surgical suite from patient monitoring and therapeutic devices to surgical navigation, diagnostic equipment and life sciences. By supporting our life sciences partners, we are improving laboratory automation systems and enabling samples to be collected and analysed with minimal human intervention, the benefits of which are improved data reliability and accuracy, minimised wastage, and time-efficient procedures. TT is focused on growing in three areas where we are well placed to capitalise on increasing demand for high-complexity products driven by technological advancement: robotic surgery, implantable devices and life sciences. We are supporting the development of smaller, lighter, more precise surgical devices, enabling reduced size of incisions, thereby shortening recovery times and improving overall patient outcomes. In addition, by improving the portability and ease of use of diagnostics, we are increasing the availability of medical imaging to point-of-care facilities. This promotes earlier detection and better monitoring, hence supporting measures taken to address the rising prevalence of cancer, cardiac, neurological, and musculoskeletal disorders.

Demand for elective surgery and for large installations for hospital or life science applications are expected to be supportive of market growth over the next few years.

Examples of some of our new wins in the year:

- In our Cleveland facility we have won a new healthcare customer which reflects our credentials in partnering with OEMs in highly regulated markets, such as healthcare. We will work on a new, innovative, infant feeding device for premature babies and will support the project to meet the stringent regulatory requirements of ISO 13485 and FDA (Food & Drug Administration) registration. This novel neonatal medical device will improve neurological development with the aim of reducing the length of stay in neonatal intensive care units and hence costs.

- The next stage of our GMS expansion into our Kuantan site in Malaysia is evidenced by a life sciences contract win to provide printed circuit board assemblies (PCBAs) and systems integration for a mass spectrometer. Such machines are used in spectrometry elemental isotope analysis to understand the chemistry and composition of materials used in healthcare and life sciences. We are currently undertaking sample builds (first articles) with volume production expected to commence in H2 2024. This work was secured given our proven, 10+ year customer partnership and demonstrates the success of our global manufacturing footprint expansion strategy.

- The U.S. team secured two different optical sensor opportunities with a medical device company, for use in a blood gas analyser. These sensors are used in the disposable test vessel cartridges designed for the device which is used for rapid blood analysis in laboratories and at point of care to measure, for example, blood gases, pH, electrolytes, metabolites and CO-Oximetry. The sensors are critical to detect the proper loading of the cartridge as its alignment with the analyser optics, for spectral measurements, is essential for proper execution of the test.

Aerospace and Defence (20 per cent of Group revenue)

In aerospace and defence we provide solutions for high-reliability applications across a broad range of platforms operating on land, air and sea. Growth is driven by increasing electrification of these platforms, which supports fuel efficiency and safety. Air travel is rebounding strongly to pre-COVID levels, with continuing tailwinds given a growing, global middle-class population with a greater propensity to travel. Robust activity levels span both aftermarket and, increasingly, original equipment (narrow body predominantly) as supply chains continue to show signs of steady improvement. Fundamentally, the need for more efficient, safer, and environmentally friendly aircraft remains.

The defence electronics manufacturing market exhibits consistent, moderate expansion as governments invest to maintain state-of-the-art capabilities. With the focus of global growth shifting to the east and south, creating more powerful national economies in different regions, there will be greater requirement for protection, and greater resources available to invest in security and defence. This rising tide looks set to support strong, sustainable compound growth over the next decade, with priorities shifting to intelligence and multi-domain integration.

Active conflict and geopolitical tensions have increased weapons demand and replenishment of stores. This is compounded by elevated security concerns in several regions. In defence our central focus is on next generation requirements for high-density power electronics and electrical machines, collaborating with our customers on the development of technologies that reduce size, weight, power, and cost (SWaP-C), while simultaneously enhancing command, control, communications, computing, intelligence, surveillance, and reconnaissance (C4ISR) capabilities. We have been successful recently in providing more integrated, design-led solutions, demonstrating our ability to deliver SWaP-C improvements.

Recent wins in the aerospace and defence end market:

- We secured the first order for the development of a new power module as part of a long term collaborative agreement with a leading commercial aircraft engine manufacturer, aimed at advancing electric propulsion systems for electric aircraft applications. The cornerstone of this partnership revolves around the E Drive 150 Power Module which enhances various electrical switching functionalities, critical for vital aircraft systems. These include electric starter generators, cabin air systems, electric pumps, and electric actuation with future potential for use in urban air mobility and small modular (nuclear) reactors. We believe our power module expertise, along with our persistence in finding a solution, were key factors in securing this win.

- An example of TT moving up the value chain and engineering power solutions being used in highly efficient, cutting-edge platforms is a new win with a global aerospace and defence innovator. TT will design and manufacture two novel custom AC/DC converters that will meet SWaP-C and electrical requirements for airborne applications. This multi-million dollar win showcases our ability to align our tech roadmap with our customers and provide an airborne solution that has never been seen in the market before. This technology is being designed and built in Kansas City.

- Building on existing work on the UK Tempest programme, TT was awarded a further contract during 2023 to support feasibility studies for advanced electrical power solutions on the sixth-generation Tempest fighter aircraft entering service from 2035 in the UK's future combat air system ("FCAS"). The Team Tempest consortium is composed of the UK Ministry of Defence and industry partners BAE Systems, Rolls-Royce, Leonardo UK and MBDA, working together to deliver a FCAS that pioneers advanced technology including deep learning AI, ability to fly unmanned, and a virtual helmet cockpit to stay ahead of evolving threats. This award expands the longstanding business relationship and multiple development and manufacturing touchpoints between TT and BAE Systems on the Tempest military aircraft.
- We have secured a multi-million, five-year contract with defence innovator, Marotta Controls, to provide complex printed circuit board assemblies for production of high-reliability electronics on a next generation military air platform. Our ability to scale to meet the customer and market demand was a key factor in this award.

Automation and Electrification (36 per cent of Group revenue)

In automation and electrification markets, we are continuing to invest in developing capabilities to address the needs of sophisticated automation applications. Customers rely on us to help solve their toughest automation and electrification challenges; streamlining their supply chains, increasing their efficiency and helping them bring smart, new products to the market.

Digitalisation is a megatrend in its own right as it permeates every industry and offers solutions for many of the challenges faced. Industrial automation is the backbone of manufacturing and production processes that support economies and, with increased focus on climate change and natural resources, there is continuing pressure to facilitate higher efficiency and productivity.

Given the wide scope of these markets, performance correlates strongly with global economic growth, with key indicators being GDP growth and the Purchasing Managers' Index (PMI), but the digitisation and proliferation of electronics and electrification means markets will grow faster than these indicators. Growth is also being driven by demand for sustainable solutions to improve energy efficiency, the use of robotics to improve productivity and the increasing use of remote asset tracking. Within electrification, our priority is in developing capabilities which will support increasing energy efficiency and connectivity. Core focus areas include complex systems integrations and AC and DC power conversion technologies. We are increasingly able to develop complete, high-value products and durable components featuring higher voltages. The positive long-term growth drivers in this market give us confidence that demand will increase for our power, sensing and connectivity solutions.

Recent wins in the automation and electrification space:

- In Suzhou we have won a contract with Casco, a TT customer of over 10 years, for signalling solutions across the Urban Rail network in China. We will provide complex, high level assembly build cabinets and electronics solutions. The majority of Casco projects are focused on China, where it is the number one player in the domestic rail transit market. This win is further recognition of the success of our China for Asia strategy.
- Our focus on working with our customers to bring smart, sustainable products to market is illustrated by a collaboration with one of the largest Tier-1 companies in India which supplies manual and hydraulic steering systems to all major commercial vehicle manufacturers in the country. TT is supplying an Electronic Power Steering ("EPS") sensor which is used to measure required torque and desired angle of the steering system by the driver. The steering torque and position sensor is mounted in line with the steering shaft of a vehicle and is a critical part of the EPS assembly. We started supporting the customer at an early design stage and provided technical assistance to complete the design and build stage of the EPS system for the company's 4W Electric Vehicles commercial segment. Our ability to provide the required customisation of our sensor established us as the right partner, leading to a growing business and technology relationship that has positioned TT as the single source of supply for all this customer's EPS projects.
- Two long-standing customers in the Automation and Electrification sector are secured for our new Mexicali facility as they leverage the best-cost geography while retaining manufacturing footprint in the Americas to serve local markets.

Distribution sales channel (20 per cent of Group revenue)

We grew our revenues through distributors again in 2023 and this area now represents 20 per cent of our overall sales. The demand from distributors comes from a very wide range of customers and end markets but is, in large part, driven by the same megatrends supporting our focus end markets including rapid technological change and digital transformation.

Environmental, social and governance (ESG)

We are moving at pace to reduce our carbon emissions and have set ourselves a target to be Net Zero by 2035 for our Scope 1 & 2 emissions. In 2023 we made further excellent progress, with an 18 per cent reduction in year and our Scope 1 & 2 carbon emissions are now 62 per cent lower than our 2019 baseline. This has been accomplished by switching to renewable tariffs, further site rationalisation, transferring manufacturing capability and capacity to modern, green facilities and local site energy saving initiatives.

Our intensity ratio, which measures our Scope 1 & 2 emissions against our revenue has reduced to 17, down from 56 in 2019. All our sites that are able to purchase electricity on renewable tariffs are now doing so. Further reductions in our carbon emissions will require other measures such as infrastructure and process projects to reduce electricity consumption and investment in solar power or other renewables and we will be ready to benefit from renewables gradually coming on stream in China. In 2023 our first solar project at Kuantan in Malaysia was commissioned and we have commenced work on our next project in Mexicali. Each of our manufacturing sites has its own energy efficiency plan to include further rolling out of LED lighting, eliminating waste electricity, replacing inefficient legacy equipment or reorganising space to save heating/lighting and managing shift patterns.

In addition to our work on CO_2 emissions we are also committed to reducing our impact on the environment due to use of precious resources such as water, use of single use plastics and our waste to landfill.

ESG matters including culture, strategy, regulatory compliance, risk and internal controls are controlled as part of our overall governance and risk management frameworks, ultimately overseen by senior management and the Board. An update on key health, safety and environmental (including sustainability) metrics is provided at each Board meeting and in-depth reviews are undertaken on at least an annual basis.

Engaging employees by continually building our culture, communicating, listening and supporting is an important part of what we do every day. We encourage our teams to take an active role in their local and national communities, whether fundraising and volunteering for chosen charities or committing time and resources to promoting STEM education and careers. The resilience, contribution, and dedication of our employees in all regions has been remarkable over a prolonged period of global uncertainty. We will continue to focus on supporting them as they are critical to the success of TT.

We have always believed strongly that high levels of employee engagement enable excellent execution of strategy and we regularly test this. The latest Group-wide employee engagement survey was undertaken in the summer of 2023. We were delighted to attain a 2023 employee engagement score in line with the three star "world class companies to work for" Best Companies Ltd benchmark. Focus was directed on participation in 2023, encouraging our employees to have their say and make their voice heard, concluding with a record 91% of employees globally completing the survey, up from 86% in both 2021 and 2020.

Our continuing progress on ESG matters is recognised externally, with a rating of 'AA' in the latest MSCI ESG Ratings assessment and an improved 'B-' rating from CDP (2022: C rating).

FINANCIAL OVERVIEW

Group revenue was £613.9 million (2022: £617.0 million). This included a currency translation headwind of £11.3 million. Group revenue was 1 per cent higher than the prior year at constant currency. Excluding the zero margin pass-through revenues, organic growth was 3 per cent, split approximately 1 per cent volume growth and 2 per cent pricing. Sales volumes across our key markets have been buoyant and the strength of our order book, and the pipeline of new business opportunities, gives us confidence that organic growth will continue despite the headwind to headline organic growth from the further unwind of pass-through revenue.

The Group's adjusted operating profit was £52.8 million (2022: £47.1 million) and statutory operating profit was £8.7 million (2022: £3.4 million loss) after a charge for items excluded from adjusted operating profit of £44.1 million (2022: £50.5 million) including:

- Restructuring costs of £2.0 million (2022: £6.4 million) largely comprising costs associated with the relocation of production facilities from our US site in Covina to Kansas, representing the last stage of the self-help programme which started in 2020.
- Pension restructuring costs of £1.9 million (2022: £13.8 million) relating mainly to work to prepare the UK defined benefit scheme for buy-out.
- Acquisition and disposal costs totalled £3.1 million (2022: £1.2 million) comprising £1.3 million (2022: £1.1 million) of integration costs relating primarily to the Ferranti acquisition, which was acquired early in 2022;

£1.2 million (2022: £nil) in preparing assets held for sale; £0.4 million (2022: £0.1 million) relating to integration activities for the acquisition of Torotel, Inc. and £0.2 million (2022: £nil) of other costs.

- Amortisation of intangible assets arising on business combinations of £4.6 million (2022: £6.0 million).
- Non-cash write-down costs totalled £32.5 million relating to the Project Albert businesses held for sale in our IoT Solutions and GMS CGUs (2022: £23.1 million relating to the impairment of goodwill and other assets in the IoT Solutions business).

The adjusted operating margin of 8.6 per cent (2022: 7.6 per cent) reflects the benefits of operational leverage and our self-help programme. We successfully offset increases in input costs through price increases.

The net finance cost was £9.8 million (2022: £6.7 million) with the increase being due to a combination of higher base rates and higher drawn debt levels. The Group's overall tax charge was £5.7 million (2022: £3.1 million), including a £3.5 million credit (2022: £5.3 million credit) on items excluded from adjusted profit. The adjusted tax charge was £9.2 million (2022: £8.4 million), resulting in an effective adjusted tax rate of 21.4 per cent (2022: 20.8 per cent).

Adjusted EPS increased to 19.2 pence (2022: 18.2 pence), reflecting the improved adjusted operating profit in the period. Basic EPS was a loss of 3.9 pence (2022: 7.5 pence loss). Adjusted operating cash inflow after capex was £48.8 million (2022: £15.7 million inflow). The improvement was as a result of increased profitability and a significantly reduced working capital outflow both of which more than offset increased investment in capital expenditure. Capital and development expenditure of £24.0 million (2022: £14.0 million) reflected investment to support growth. This resulted in adjusted operating cash conversion of 92 per cent (2022: 33 per cent). On a statutory basis, cash flow from operating activities was £62.9 million (2022: £12.7 million).

There was a free cash inflow of £23.9 million (2022: outflow £13.1 million), net of £4.0 million of restructuring and acquisition related costs (2022: £11.1 million) primarily relating to integration costs of the Ferranti acquisition (£1.3 million), restructuring costs to move our facility in Covina, US to Kansas, US (£1.0 million), costs incurred in preparing assets held for sale (£0.9 million), pension costs (£0.2 million) and other costs (£0.6 million). There was a £3.2 million pension surplus refund from the UK Scheme (2022: £nil) net of £1.8 million tax paid. Dividend payments totalled £11.3 million (2022: £10.2 million).

In June 2022 the Group re-financed its bank revolving credit facility (RCF) with a syndicate of five relationship banks at commercially attractive rates. This £147.4 million facility had a four-year tenor with a one-year extension option. In the first half of 2023 we exercised £15 million of a £32.6 million accordion, thereby increasing the facility size to £162.4 million, and we also exercised the one-year extension, taking the facility maturity out to June 2027. The RCF is complemented by £75 million of private placement fixed rate loan notes, which were issued in December 2021, with 7 and 10 year maturities.

At 31 December 2023, the Group's net debt was £126.2 million (31 December 2022: £138.4 million), including £20.8 million of lease liabilities (31 December 2022: £23.1 million). Leverage at 31 December 2023, consistent with the bank covenants, was 1.7 times (31 December 2022: 2.0 times).

Following the buy-in of our UK defined benefit pension scheme (the "Scheme") in November 2022, the Scheme is de-risked with scheme liabilities now matched by the buy-in insurance policy. The Scheme had a surplus of £25.3 million at December 2023 (December 2022: £31.3 million). Given the higher level of confidence over there ultimately being a surplus in the Scheme at the point of wind-up, in December the Scheme made an initial surplus refund to the Company of £5.0 million less tax (£3.2 million net). TT is, in collaboration with the Scheme Trustee, in the process of preparing the scheme for buy-out, which is expected to be concluded by late 2024 or early 2025. Shortly after the year-end, we completed the buy-out of one of our much smaller US approved defined benefit pension schemes at a cash cost of £1.8 million.

The net surplus across all Group schemes (including some smaller defined benefit schemes in the US) at 31 December 2023 was £22.2 million (2022: £28.4 million).

Continued investment in the business

Organic investment in technology and capital is important to support new project growth and totalled £33.2 million in 2023. This in part results in us becoming firmly embedded with our customers as valued partners, enabling us to stay ahead of their needs and meet the challenges they set us. Our investment is focused on bringing higher growth, innovative, sustainable products to market. These typically yield higher returns and development is often undertaken in partnership with our customers.

Our R&D cash investment in the year was £10.8 million (2022: £11.0 million), representing 3.4 per cent (2022: 3.7 per cent) of the aggregate revenue of our product businesses. Capital expenditure totalled £22.4 million (2022: £11.7 million).

In the second half of 2023 we relocated our Ferranti business to a new flagship Power Solutions facility in Greater Manchester. We are also expanding our GMS offering in existing TT facilities. This started in 2020 with Kuantan, Malaysia and we are now adopting the same low capital intensity approach in Mexicali, Mexico to support growth programmes for our customers and to enable their re-shoring priorities.

DIVISIONAL REVIEW

POWER AND CONNECTIVITY

The Power and Connectivity division develops and manufactures power application products and connectivity devices which enable the capture and wireless transfer of data. We collaborate with our customers to develop innovative solutions to optimise their electronic systems.

	2023	2022	Change	Change constant fx
Revenue	**£169.7m**	£154.2m	10%	10%
Adjusted operating profit[1]	**£14.3m**	£7.9m	81%	83%
Adjusted operating profit margin[1]	**8.4%**	5.1%	330bps	330bps

[1] See note 1 on page 3 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to the section titled 'Reconciliation of KPIs and non IFRS measures' on pages 42 to 49 of this document.

Revenue increased by £15.5 million to £169.7 million (2022: £154.2 million) and includes a currency headwind of £0.4 million. Organic revenue was 10 per cent higher with good growth from healthcare and aerospace & defence in particular, reflecting increased market demand and previous business win successes.

Adjusted operating profit increased by £6.4 million to £14.3 million (2022: £7.9 million). Included within this was a £0.1 million foreign exchange headwind. The material step up in operating profit reflects very healthy levels of drop through on the revenue growth, price increases which more than offset cost inflation and operational efficiencies. The adjusted operating margin was up 330 basis points to 8.4 per cent (2022: 5.1 per cent) for the full year and was 9.4 per cent in the second half.

Order intake has been good in the year and continues to exceed growing revenues giving us confidence for further growth and margin expansion in 2024.

In 2023 we have invested in and transferred production to a new facility for the acquired Ferranti Power and Control business, based in Greater Manchester, which designs and manufactures mission-critical complex power and control sub-assemblies for blue chip customers in high-reliability and high-performance end markets, primarily aerospace and defence.

GLOBAL MANUFACTURING SOLUTIONS

The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We manufacture complex integrated product assemblies for our customers and provide engineering services including designing testing solutions and value engineering.

	2023	2022	Change	Change constant fx
Revenue	**£299.2m**	£323.0m	(7)%	(4)%
Adjusted operating profit[1]	**£27.6m**	£25.2m	10%	16%
Adjusted operating profit margin[1]	**9.2%**	7.8%	140bps	160bps

[1] See note 1 on page 3 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to the section titled 'Reconciliation of KPIs and non IFRS measures' on pages 42 to 49 of this document.

Revenue decreased, as expected, by £23.8 million to £299.2 million (2022: £323.0 million) of which the currency headwind was £10.9 million, with organic revenue 4 per cent lower. Excluding currency effects and the unwind of pass-through revenues, total revenue was broadly unchanged as anticipated with 2023 a year of consolidation following two years of exceptionally strong growth. Pass-through revenue was £12.5 million lower in the second half, than in the second half of 2022, and £10.4 million lower for the full year, which has created a head-wind to top line growth.

Adjusted operating profit increased by £2.4 million to £27.6 million (2022: £25.2 million), including a £1.5 million foreign exchange headwind. The constant currency increase reflects operational efficiencies and the benefit of improved pricing. The adjusted operating profit margin was 9.2 per cent (2022: 7.8 per cent), impacted by the pass-through revenues, without which margins would have been 9.9 per cent.

This division performed well in 2023, reflecting the momentum built from customers who are winners in their own markets and provide opportunities to grow share of wallet. The order book remains strong with long visibility and in 2023, GMS has made incremental capital investment to expand its capabilities into an existing TT facility in Mexicali, Mexico. This follows the successful addition of GMS capability to the Kuantan site in Malaysia, back in 2020, which added value through the regional expansion of our high-level assembly capabilities to a variety of key customers.

The order book position has been underpinned by several multi-million-pound wins, a number of which extend beyond 12 months. We continue to improve our understanding of how to leverage these opportunities from the customer perspective. Whether customers are seeking best-value-geographies for their product, risk mitigation against geopolitical uncertainties, or looking to reduce their carbon footprint by manufacturing locally to the end market, TT is well-positioned to support their needs.

Overall, the GMS division is in excellent shape and our enhanced customer relationships and business development initiatives are delivering strong order intake. GMS has achieved a step change in its margin profile over recent years, reflecting the value of the service we bring to our customers, reliability, and the value engineering and testing capability we offer. We believe GMS margins can improve incrementally with growth.

SENSORS AND SPECIALIST COMPONENTS

The Sensors and Specialist Components division works with customers to develop high-specification standard and customised solutions, including sensors and power management devices. Our solutions improve the precision, speed and reliability of critical aspects of our customers' applications.

	2023	2022	Change	Change constant fx
Revenue	**£145.0m**	£139.8m	4%	4%
Adjusted operating profit[1]	**£19.0m**	£21.8m	(13)%	(13)%
Adjusted operating profit margin[1]	**13.1%**	15.6%	(250)bps	(250)bps

[1] See note 1 on page 3 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to the section titled 'Reconciliation of KPIs and non IFRS measures' on pages 42 to 49 of this document.

Revenue increased by £5.2 million to £145.0 million (2022: £139.8 million) and the currency impact was neutral. Organic revenue was 4 per cent higher, with good growth through the division's distribution partners a key driver. This business is in the sweet spot of enabling our customers to reach their sustainability goals with components for smart energy & city infrastructure and factory automation.

Adjusted operating profit decreased by £2.8 million to £19.0 million (2022: £21.8 million) with no currency impact. The reduction in profit is attributable to the one-off impact of breakdown of the HVAC system in our Plano facility.

The permanent fix to the HVAC system at Plano, essential to the operation of our clean room, took longer to achieve than anticipated given delays in receiving parts. The facility is now operating as expected. We have undertaken a full review of the viability of the system to ensure it is fit for purpose and identified some control software and physical improvements which will be implemented before the return of warm weather.

We monitor the stock levels in our distribution channels and saw them increase in 2023. We are now starting to see them reduce and expect them to return to more normal levels in the first half of 2024. While order intake from distributors therefore remains somewhat subdued, we achieved new business wins from a number of blue-chip customers in 2023 which is benefitting our order intake in 2024.

OTHER FINANCIAL INFORMATION

Summary of Adjusted results

To assist with the understanding of earnings trends, the Group has included non-GAAP alternative performance measures including adjusted operating profit and adjusted profit. Further information is contained in the 'Reconciliation of KPIs and non IFRS measures' on pages 42 to 49. A reconciliation of statutory to adjusted profit numbers is set out on page 18.

A summary of the Group's adjusted results is set out below:

£ million	**2023**	**2022**
Revenue	**613.9**	617.0
Operating profit	**52.8**	47.1
Operating margin	***8.6%***	*7.6%*
Net finance expense	**(9.8)**	(6.7)
Profit before tax	**43.0**	40.4
Tax	**(9.2)**	(8.4)
Tax rate	***21.4%***	*20.8%*
Profit after tax	**33.8**	32.0
Weighted average number of shares	***175.6 million***	*175.8 million*
EPS	**19.2p**	18.2p

Cash flow, net debt and leverage

The table below sets out Group cash flows and net debt movement:

£ million	**2023**	2022
Adjusted operating profit	**52.8**	47.1
Depreciation and amortisation	**16.5**	16.1
Net capital expenditure	**(22.4)**	(11.7)
Capitalised development expenditure	**(1.6)**	(2.3)
Working capital	**(0.5)**	(38.8)
Other	**4.0**	5.3
Adjusted operating cash flow after capex.	**48.8**	15.7
Adjusted operating cash conversion	***92%***	*33%*
Net interest and tax	**(19.7)**	(13.4)
Lease payments	**(4.4)**	(4.3)
Restructuring, acquisition and disposal related costs	**(4.0)**	(11.1)
Retirement benefit schemes	**3.2**	-
Free cash flow	**23.9**	(13.1)
Dividends	**(11.3)**	(10.2)
Lease payments	**4.4**	4.3
Equity issued/acquired	**1.3**	0.4
Acquisitions & disposals	**-**	(8.3)
Cash transferred to assets held for sale	**(3.6)**	-
Other	**(1.2)**	(3.0)
Decrease (increase in net debt)	**13.5**	(29.9)
Opening net debt	**(138.4)**	(102.5)

New, acquired, modified and surrendered leases	**(3.4)**	(2.3)
Leases acquired	**-**	(0.2)
Leases transferred to liabilities held for sale	**2.6**	-
FX and other	**(1.5)**	(3.5)
Closing net debt as per balance sheet	**(127.2)**	(138.4)
Cash and leases held within assets and liabilities held for sale	**1.0**	-
Closing net debt including assets and liabilities held for sale	**(126.2)**	(138.4)

At 31 December 2023 the Group's net debt was £126.2 million (31 December 2022: £138.4 million). Included within net debt was £20.8 million of lease liabilities (31 December 2022: £23.1 million) and £1.0 million of assets and liabilities classified as held for sale (£3.6 million cash and £2.6m lease liabilities).

Consistent with the Group's borrowing agreements, which exclude the impact of leases, leverage ratio was 1.7 times at 31 December 2023 (31 December 2022: 2.0 times). Net interest cover was 6.1 times (31 December 2022: 7.4 times). The Group's debt covenants state that the leverage ratio must not exceed 3.0 times and that interest cover must be more than 4.0 times.

Reconciliation of Adjusted results

Details of the reasons for and uses of adjusted measures are included in the section titled 'Reconciliation of KPIs and non IFRS measures' on pages 42 to 49 of this announcement.

£ million	**2023**	**2022**
Operating profit/(loss)	**8.7**	(3.4)
Adjusted to exclude:		
Restructuring and other items		
Restructuring	**2.0**	6.4
Pension restructuring costs	**1.9**	2.0
Pension enhanced value transfer value	**-**	11.8
Asset impairments		
Held for sale impairments	**32.5**	
Goodwill impairment	**-**	17.7
Other impairments	**-**	5.4
Acquisition and disposal related costs		
Amortisation of intangible assets arising on business combinations	**4.6**	6.0
Ferranti acquisition and integration costs	**1.3**	1.1
Torotel acquisition and integration costs	**0.4**	0.1
Disposal costs	**1.2**	-
Other costs	**0.2**	-
Total operating reconciling items	**44.1**	50.5
Adjusted operating profit	**52.8**	47.1
(Loss)/profit before tax	**(1.1)**	(10.1)
Total operating reconciling items (as above)	**44.1**	50.5
Adjusted profit before tax	**43.0**	40.4
Taxation charge on adjusted profit	**(9.2)**	(8.4)
Adjusted profit after taxation	**33.8**	32.0

Cautionary statement

This report contains forward-looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise

Consolidated income statement
For the year ended 31 December 2023

£million (unless otherwise stated)	Note	2023	2022
Revenue	3	613.9	617.0
Cost of sales		(466.9)	(481.5)
Gross profit		147.0	135.5
Distribution costs		(26.9)	(29.6)
Administrative expenses		(111.4)	(109.3)
Operating profit/(loss)		8.7	(3.4)
Analysed as:			
Adjusted operating profit	3	52.8	47.1
Restructuring costs	7	(2.0)	(6.4)
Pension restructuring costs	7	(1.9)	(13.8)
Asset impairments and measurement losses	7	(32.5)	(23.1)
Amortisation of intangible assets arising on business combinations	7	(4.6)	(6.0)
Acquisition and disposal related costs	7	(3.1)	(1.2)
Finance income	6	1.6	2.3
Finance costs	6	(11.4)	(9.0)
Loss before taxation		(1.1)	(10.1)
Taxation	8	(5.7)	(3.1)
Loss for the year attributable to the owners of the Company		(6.8)	(13.2)
EPS attributable to owners of the Company (pence)			
Basic	10	(3.9)	(7.5)
Diluted	10	(3.9)	(7.5)

Consolidated statement of comprehensive income

For the year ended 31 December 2023

£million	2023	2022
Loss for the year	(6.8)	(13.2)
Other comprehensive (loss) / income for the year after tax		
Items that are or may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	(17.3)	26.9
Tax on exchange differences	1.1	(1.6)
Gain/(loss) on hedge of net investment in foreign operations	1.8	(3.4)
Gain/(loss) on cash flow hedges taken to equity less amounts recycled to the income statement	3.5	(2.9)
Deferred tax loss on movement in cash flow hedges	(0.7)	(0.4)
Items that will never be reclassified to the income statement:		
Remeasurement of defined benefit pension schemes	0.2	(35.9)
Tax on remeasurement of defined benefit pension schemes	(0.1)	6.5
Total comprehensive loss for the year attributable to the owners of the Company	(18.3)	(24.0)

Consolidated statement of financial position

For the year ended 31 December 2023

£million	Note	2023	2022
ASSETS			
Non-current assets			
Right-of-use assets		15.8	19.6
Property, plant and equipment		61.3	54.8
Goodwill	5	140.8	155.1
Other intangible assets		32.7	53.7
Deferred tax assets		15.4	13.2
Derivative financial instruments		0.8	0.8
Pensions	12	25.3	31.3
Total non-current assets		292.1	328.5
Current assets			
Inventories		143.5	189.2
Trade and other receivables		90.2	120.3
Income taxes receivable		2.0	1.1
Derivative financial instruments		5.2	3.1
Assets classified as held for sale	4	48.0	-
Cash and cash equivalents		74.1	65.0
Total current assets		363.0	378.7
Total assets		655.1	707.2
LIABILITIES			
Current liabilities			
Borrowings	11	1.2	3.7
Liabilities directly associated with assets classified as held for sale	4	28.1	-
Lease liabilities		3.8	4.4
Derivative financial instruments		1.5	3.6
Trade and other payables		127.9	173.2
Income taxes payable		10.9	9.6
Provisions		3.1	3.5
Total current liabilities		176.5	198.0
Non-current liabilities			
Borrowings	11	181.9	176.6
Lease liabilities		14.4	18.7
Derivative financial instruments		0.6	0.8
Deferred tax liability		7.0	12.4
Pensions	12	3.1	2.9
Provisions and other non-current liabilities		1.1	0.8
Total non-current liabilities		208.1	212.2
Total liabilities		384.6	410.2
Net assets		270.5	297.0
EQUITY			
Share capital	13	44.3	44.1
Share premium		24.0	22.9
Translation reserve		40.7	55.1
Other reserves		11.9	7.3
Retained earnings		149.6	167.6
Total equity		270.5	297.0

Approved by the Board of Directors on 6 March 2024 and signed on their behalf by:

Peter France
Director

Mark Hoad
Director

Consolidated statement of changes in equity

For the year ended 31 December 2023

£million	Share capital	Share premium	Translation Reserve	Other reserves	Retained earnings	Sub-total	NCI[1]	Total
At 31 December 2021	44.1	22.6	33.2	7.1	221.0	328.0	2.0	330.0
Loss for the year	-	-	-	-	(13.2)	(13.2)	-	(13.2)
Other comprehensive income								
Exchange differences on translation of foreign operations	-	-	26.9	-	-	26.9	-	26.9
Tax on exchange differences	-	-	(1.6)	-	-	(1.6)	-	(1.6)
Loss on hedge of net investment in foreign operations	-	-	(3.4)	-	-	(3.4)	-	(3.4)
Loss on cash flow hedges taken to equity less amounts recycled to the income statement	-	-	-	(2.9)	-	(2.9)	-	(2.9)
Deferred tax on movement in cash flow hedges	-	-	-	0.2	(0.6)	(0.4)	-	(0.4)
Remeasurement of defined benefit pension schemes	-	-	-	-	(35.9)	(35.9)	-	(35.9)
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	6.5	6.5	-	6.5
Total comprehensive income/(loss)	-	-	21.9	(2.7)	(43.2)	(24.0)	-	(24.0)
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	-	-	-	-	(10.2)	(10.2)	-	(10.2)
Share-based payments	-	-	-	4.8	-	4.8	-	4.8
Deferred tax on share-based payments	-	-	-	(1.0)	-	(1.0)	-	(1.0)
New shares issued	-	0.3	-	-	-	0.3	-	0.3
Other movements	-	-	-	(0.9)	-	(0.9)	-	(0.9)
Dividend to non-controlling interest	-	-	-	-	-	-	(2.0)	(2.0)
At 31 December 2022	44.1	22.9	55.1	7.3	167.6	297.0	-	297.0
At 31 December 2022	44.1	22.9	55.1	7.3	167.6	297.0	-	297.0
Loss for the year					(6.8)	(6.8)	-	(6.8)
Other comprehensive income/(expense)								
Exchange differences on translation of foreign operations	-	-	(17.3)	-	-	(17.3)	-	(17.3)
Tax on exchange differences	-	-	1.1	-	-	1.1	-	1.1
Gain on hedge of net investment in foreign operations	-	-	1.8	-	-	1.8	-	1.8
Gain on cash flow hedges taken to equity less amounts recycled to the income statement	-	-	-	3.5	-	3.5	-	3.5
Deferred tax on movement in cash flow hedges	-	-	-	(0.7)	-	(0.7)	-	(0.7)
Remeasurement of defined benefit pension schemes	-	-	-	-	0.2	0.2	-	0.2
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Total comprehensive (loss)/income	-	-	(14.4)	2.8	(6.7)	(18.3)	-	(18.3)
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	-	-	-	-	(11.3)	(11.3)	-	(11.3)
Share-based payments	-	-	-	3.1	-	3.1	-	3.1
Deferred tax on share-based payments	-	-	-	(0.1)	-	(0.1)	-	(0.1)
New shares issued	0.2	1.1	-	-	-	1.3	-	1.3
Other movements	-	-	-	(1.2)	-	(1.2)	-	(1.2)
At 31 December 2023	44.3	24.0	40.7	11.9	149.6	270.5	-	270.5

1.NCI is an abbreviation of non-controlling interests which was eliminated with a dividend payment in 2022.

Consolidated statement of cash flows

For the year ended 31 December 2023

£million	Note	2023	2022
Cash flows from operating activities			
Loss for the year		(6.8)	(13.2)
Taxation	8	5.7	3.1
Net finance costs		9.8	6.7
Restructuring costs and non-underlying asset impairments and remeasurements	7	36.4	43.3
Acquisition and disposal related costs	7	7.7	7.2
Adjusted operating profit		52.8	47.1
Adjustments for:			
Depreciation		14.0	13.9
Amortisation of intangible assets		2.5	2.2
Share based payment expense		3.1	4.8
Scheme funded pension administration costs		1.6	-
Other items		(0.7)	0.5
Decrease/(increase) in inventories		4.5	(40.4)
Decrease/(increase) in receivables		10.5	(26.3)
(Decrease)/increase in payables and provisions		(15.5)	27.9
Adjusted operating cash flow		72.8	29.7
Reimbursement of pension surplus		3.2	-
Restructuring and acquisition related costs		(4.0)	(11.1)
Net cash generated from operations		72.0	18.6
Net income taxes paid		(9.1)	(5.9)
Net cash flow from operating activities		62.9	12.7
Cash flows from investing activities			
Purchase of property, plant and equipment		(22.3)	(11.4)
Proceeds from sale of property, plant and equipment and government grants received		0.5	0.3
Capitalised development expenditure		(1.6)	(2.3)
Purchase of other intangibles		(0.6)	(0.6)
Acquisition of business		-	(8.3)
Net cash flow used in investing activities		(24.0)	(22.3)
Cash flows from financing activities			
Issue of share capital	13	1.3	0.4
Interest paid		(10.6)	(7.5)
Repayment of borrowings		(26.1)	(149.3)
Proceeds from borrowings		32.7	174.3
Capital payment of lease liabilities		(4.4)	(4.3)
Other items		(1.2)	(1.0)
Dividends paid to minority shareholders		-	(2.0)
Dividends paid by the Company		(11.3)	(10.2)
Net cash flow (used in) / from financing activities		(19.6)	0.4
Cash transferred to held for sale		(3.6)	-
Net increase / (decrease) in cash and cash equivalents		15.7	(9.2)
Cash and cash equivalents at beginning of year	11	61.3	67.2
Exchange differences	11	(4.1)	3.3
Cash and cash equivalents at end of year	11	72.9	61.3
Cash and cash equivalents comprise:			
Cash at bank and in hand		74.1	65.0
Bank overdrafts		(1.2)	(3.7)
Cash and cash equivalents at end of year		72.9	61.3
Cash and cash equivalents included within assets classified as held for sale	4	3.6	-
Cash and cash equivalents at end of year including those within assets classified as held for sale		76.5	61.3

1 General information

The information set out below, which does not constitute full financial statements, is extracted from the audited financial statements

- was approved by the Directors on 6 March 2024;
- have been reported on by the Group's auditor; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006;
- will be available to the shareholders and the public in April 2024; and
- will be filed with the Registrar of Companies following the Annual General Meeting.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of UK adopted International Financial Reporting Standards ("IFRSs") adopted pursuant to IFRSs as issued by the IASB, this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs during April 2024.

2 Basis of preparation

Going concern

The Group has experienced continued improvement in trading momentum and strong growth on our 2022 results. We continue to see benefit from our strategic repositioning in our chosen structural growth markets as well as our focus on building close relationships with our clients and this can be seen in both the order book and financial performance of the Group.

The Group's financial position remains strong, at 31 December 2023 it had:

• £263.3 million of total borrowing facilities available (comprising committed facilities of £240.7 million and uncommitted facilities of £22.6 million representing overdraft lines and an accordion facility of £17.6 million). The Group's primary source of finance is the £162.4 million committed revolving credit facility (RCF) which was signed in June 2022 and will mature in June 2027 following the Group exercising an option to extend the previously existing maturity by one year in May 2023. The RCF includes a £15.0 million committed extension converted from the existing uncommitted accordion facilities in February 2023. At 31 December 2023 £108.8 million of this facility had been drawn down. The Group's RCF is payable on a floating rate basis above GBP SONIA, USD SOFR or EURIBOR depending on the currency of the loan.

In December 2021, the Group issued £75 million of fixed rate loan notes with three institutional investors; the issue is evenly split between 7- and 10- year maturities with an average interest rate of 2.9% and covenants in line with our bank facility.

• A leverage ratio (banking covenant defined measure) of 1.7 times at 31 December 2023 compared to the RCF (and PP loan notes) covenant maximum of 3.0 times. Interest cover (banking covenant defined measure) of 6.1 times compared to the RCF (and PP loan notes) covenant minimum of 4.0 times.

The Group has prepared and reviewed cash flow forecasts across the business over the twelve-month period from the date of the approval of these financial statements, considering the Group's current financial position and the potential impact of our principal risks on divisions.

The Group's financial projections contain key assumptions surrounding revenue and operating profit growth in 2024. Under the Group's base case financial projections, the Group retains significant liquidity and covenant headroom throughout the forecast period, with both metrics improving from the position as at 31 December 2023.

The Group's financial projections have been stress tested for "business as usual" risks (such as profit growth, supply chain pressure and working capital variances), and the impact of the following principal risks: general revenue reduction, contractual risks, research and development, people and capability, supplier resilience and health and safety (occurring both individually and in unison). Principal risks which were not specifically modelled were either considered not likely to have an impact within the going concern period or their financial effect was covered within the overall downside economic risks implicit within the stress testing. Under the stress tested modelling, the liquidity headroom within the group remains adequate throughout the forecast period. Financial covenants continue to be in compliance under the stress tested model and management have a number of mitigating actions which could be undertaken if required.

2 Basis of preparation continued

In addition to the stress tests described above the Group's stress test scenario has been sensitised for supply chain challenges and capacity constraints which shows a reduction in revenue and operating profit compared to the latest forecast. Despite this further reduction these projections show that the Group should remain within its facilities headroom and within bank covenants for the twelve months following the approval of these financial statements. A "reverse" stress-test was also modelled to understand the conditions which could jeopardise the ability of the Group to continue as a going concern including assessing against covenant testing and facility headroom. The stress testing also considered mitigating actions which could be put in place. Mitigating actions included limiting capital expenditure and reducing controllable costs including items such as discretionary bonuses and pay rises. The reverse stress test is deemed to have a remote likelihood and help inform the Directors' assessment that there are no material uncertainties in relation to going concern.

The Group's wide geographical and sector diversification helps minimise the risk of serious business interruption or catastrophic reputational damage. Furthermore, the business model is structured so that the Group is not overly reliant on any single customer, market or geography.

The Directors have assessed the future funding requirements of the Group with due regard to the risks and uncertainties to which the Group is exposed and compared them with the level of available borrowing facilities and are satisfied that the Group has adequate resources for at least twelve months from the date of signing. Accordingly, the financial statements have been prepared on a going concern basis.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The Directors have assessed that there is currently no material impact arising from climate change on the judgements and estimates determining the valuations within the financial statements.

Critical judgements

In the course of preparing the Financial Statements, critical judgements within the scope of paragraph 122 of IAS 1: "Presentation of Financial Statements" were made during the process of applying the Group's accounting policies. These are outlined below.

Assets classified as held for sale and directly related liabilities

Judgement was required in determining the classification of the Group's assets and directly associated liabilities classified as held for sale, particularly with the timing of the held for sale classification as the transaction was not complete by 31 December 2023. It is management's assessment that it is highly probable that the transaction will be completed within 12 months of the balance sheet date. Further details are set out in note 4.

Adjusting items

Judgements were required as to whether items were disclosed as adjusting, with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items in the year ended 31 December 2023 is included below.

Key sources of estimation uncertainty
Assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Note 8 – Taxation. Accruals for tax contingencies require management to make judgements and estimates in relation to tax authority audits and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. These amounts are expected to be utilised or to reverse as tax audits occur or as the statute of limitations is reached in the respective countries concerned. The Group's current tax liability at 31 December 2023 includes tax provisions of £9.3 million (2022: £8.4 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £12.3 million (2022: £11.1 million).

Alternative performance measures
The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results of the Group. These are presented in accordance with the guidelines on APMs issued by the European Securities and Markets Authority ("ESMA").

Adjusted operating profit has been defined as operating profit from continuing operations excluding the impacts of significant restructuring programmes, significant one-off items including property disposals, impairment charges significant in nature and/or value, business acquisition, integration, and divestment related activity, and the amortisation of intangible assets recognised on acquisition. Acquisition and disposal related items include the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Restructuring includes significant changes in footprint (including movement of production facilities) and significant costs of management changes.

In addition to the items above, adjusting items impacting profit after tax include:

- The net effect on tax of significant restructuring from strategy changes that are not considered by the Group to be part of the normal operating costs of the business; and
- The tax effects of adjustments to profit before tax.

These financial statements include alternative performance measures that are not prepared in accordance with IFRS. These APMs have been selected by the Directors to assist them in making operating decisions because they represent the underlying operating performance of the Group and facilitate internal comparisons of performance over time.

The Directors consider the adjusted results to be an important measure used to monitor how the businesses are performing as this provides a meaningful reflection of how the businesses are managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods.

3 Segmental reporting

The Group is organised into three divisions, as shown below, according to the nature of the products and services provided. Each of these divisions represents an operating segment or an aggregation of operating segments in accordance with IFRS 8 'Operating Segments'. The chief operating decision maker is the Chief Executive Officer. The operating segments are:

- Power and Connectivity – The Power and Connectivity division designs and manufactures power application products and connectivity devices which enable the capture and wireless transfer of data. We collaborate with our customers to develop innovative solutions to optimise their electronic systems; Power and Connectivity is an aggregation of two operating segments due to similarities in products and markets served;
- Global Manufacturing Solutions – The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We manufacture complex integrated product assemblies for our customers and provide engineering services including designing testing solutions and value-engineering; and
- Sensors and Specialist Components – The Sensors and Specialist Components division works with customers to develop standard and customised solutions including sensors and power management devices. Our solutions improve the precision, speed and reliability of critical aspects of our customers' applications.

The key performance measure of the operating segments is adjusted operating profit. Refer to the section titled 'Reconciliation of KPIs and non IFRS measure' for the definition of adjusted profit.

Corporate costs – Resources and costs of the head office managed centrally but deployed in support of the operating units are allocated to segments based on a combination of revenue and operating profit. Resources and costs of the head office which are not related to the operating activities of the trading units are not allocated to divisions and are separately disclosed, equivalent to the segment disclosure information, so that reporting is consistent with the format that is used for review by the chief operating decision maker. This gives greater transparency of the adjusted operating profits for each segment.

Inter-segment pricing is determined on an arms length basis in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's non-current assets and, for revenue, the location of external customers. Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Goodwill is allocated to the individual cash generating units which may be smaller than the segment of which they are part.

a) Income statement information

						2023
£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
Sales to external customers	169.7	299.2	145.0	613.9	-	613.9
Adjusted operating profit	14.3	27.6	19.0	60.9	(8.1)	52.8
Add back: adjustments made to operating profit (note 7)						(44.1)
Operating profit						8.7
Net finance costs						(9.8)
Loss before taxation						(1.1)

						2022
£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
Sales to external customers	154.2	323.0	139.8	617.0	-	617.0
Adjusted operating profit	7.9	25.2	21.8	54.9	(7.8)	47.1
Add back: adjustments made to operating profit (note 7)						(50.5)
Operating loss						(3.4)
Net finance costs						(6.7)
Loss before taxation						(10.1)

3 Segmental reporting continued

b) Geographic information

Revenue by destination

The Group operates on a global basis. Revenue from external customers by geographical destination is shown below. Management monitors and reviews revenue by region rather than by individual country given the significant number of countries where customers are based.

£million	2023	2022
United Kingdom	144.7	130.0
Rest of Europe	95.7	104.3
North America	225.1	236.6
Asia	145.5	144.7
Rest of the World	2.9	1.4
	613.9	617.0

Revenue from services is less than 1% of Group revenues. All other revenue is from the sale of goods.

c) Market information key customers

The Group operates in the following markets:

£million	2023	2022 [1]
Healthcare	146.3	172.1
Aerospace and defence	123.5	95.3
Automation and electrification	221.4	237.0
Distribution	122.7	112.6
	613.9	617.0

1. Revenue by market in 2022 has been represented following a reclassification of end markets for several key customers.

The Group had no customers who contributed greater than 10% of revenues in 2023 (2022: one customer who contributed 12% and whose revenues were recognised in the Global Manufacturing Solutions segment).

4 Assets and liabilities classified as held for sale

On 4 March 2024 the Group announced the agreement to sell three business operating units within the GMS and Power and Connectivity segments to the Cicor Group for a cash consideration of £20.8 million on a cash and debt free basis subject to normal working capital adjustments.

The divestment relates to business units in Hartlepool and Cardiff, UK and Dongguan, China which provide electronics manufacturing services and certain connectivity products, principally to industrial clients.

The criteria of a highly probable sale were met in December 2023 and the Directors were committed to the disposal at the balance sheet date. Accordingly, the assets and related liabilities of the disposal group are shown as being held for sale. The carrying value of assets held for sale exceeded the fair value less costs to sell and accordingly a measurement loss of £32.5 million has been recognised within adjusting items of which £22.6 million related to the IoT Solutions CGU and £9.9 million related to the GMS CGU.

Of the £32.5 million remeasurement, the following assets were fully written down: other intangible assets (£14.9 million), goodwill (£8.6 million), right of use assets (£4.5 million) and property plant and equipment (£3.1 million). The remaining write down of £1.4 million was recorded against inventories.

In the prior year an impairment of £17.7 million was recognised to reduce the carrying value of the IoT Solutions CGU to the recoverable amount as at 31 December 2022 (see note 7).

The assets and liabilities of the disposal group as well as the allocated remeasurement has been presented below as follows:

£million	Net
ASSETS	
Derivative financial instruments	0.2
Inventories	29.5
Trade and other receivables	14.7
Cash and cash equivalents	3.6
Assets classified as held for sale	48.0
LIABILITIES	
Lease liabilities	2.6
Derivative financial instruments	0.8
Trade and other payables	21.4
Income taxes payable	0.1
Provisions	1.9
Deferred tax liability	1.3
Liabilities directly associated with assets classified as held for sale	28.1
Held for sale net assets	19.9

The disposal group does not constitute a major line of business or geographical location and therefore the results and cash flows continue to be treated as continuing operations as required by IFRS 5.

5 Goodwill

£million	
Cost	
At 1 January 2022	156.5
Additions	5.0
Net exchange adjustment	11.3
At 31 December 2022	172.8
Transferred to held for sale	(26.3)
Net exchange adjustment	(5.7)
At 31 December 2023	140.8
Impairment	
At 1 January 2022	-
Impairment	17.7
At 31 December 2022	17.7
Transferred to held for sale	(17.7)
At 31 December 2023	-
Net book value	
At 31 December 2023	140.8
At 31 December 2022	155.1

£8.6 million of goodwill was transferred to assets classified as held for sale (see note 4).

The £5.0 million addition in goodwill in 2022 arose upon the acquisition of Power and Control business of Ferranti Technologies Ltd and is considered part of the Power Solutions CGU. In the year ended 31 December 2023 £8.6 million of goodwill (net of £17.7 million impairment) was transferred to assets held for sale (see note 4). The amount transferred comprised £6.4 million (net of £17.7 million impairment) relating to the IoT Solutions CGU and £2.2 million related to the Global Manufacturing Solutions CGU.

The goodwill generated as a result of acquisitions represents the premium paid in excess of the fair value of all net assets, including intangible assets, identified at the point of acquisition. The future improvements applied to the acquired businesses, achieved through a combination of revised strategic direction, operational improvements and investment are expected to result in improved profitability of the acquired businesses during the period of ownership. The combined value achieved from these improvements is expected to be in excess of the value of goodwill acquired.

Goodwill, excluding amounts transferred to assets held for sale, is attributed to the following CGUs in the divisions shown below:

£million	2023	2022
Power and Connectivity:		
Power Solutions	63.7	65.6
IoT Solutions	3.5	9.9
Global Manufacturing Solutions:		
Global Manufacturing Solutions	16.7	19.5
Sensors and Specialist Components:		
Resistors	32.3	34.2
Sensors	24.6	25.9
	140.8	155.1

5 Goodwill continued

Impairment Testing

The Group tests goodwill impairment annually or more frequently if there are indications that goodwill might be impaired the recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and operating cash flow projections over a forecast period. The growth rate assumed after this forecast period is based on long-term GDP projections capped at long term growth rates (which are approximated as long-term inflation rates) of the primary market for the CGU, in perpetuity. Long-term growth rates are based on long-term forecasts for growth in the geography in which the group of CGUs operates. Long-term growth rates are determined using long-term growth rate forecasts that take into account the international presence and the markets in which each business operates.

Management estimate discount rates using pre-tax rates that reflect current market assessments of the Group's time value of money and the risks specific to the CGU being measured.

In determining the cost of equity, the Capital Asset Pricing Model has been used. Accordingly the cost of equity is determined by adding a risk premium, based on an industry adjustment, to the expected return of the equity market above the risk-free return. The relative risk adjustment reflects the risk inherent in each group of CGUs relative to all other sectors and geographies on average.

The cost of debt is determined using a risk-free rate based on the cost of government bonds, and an interest rate premium equivalent to a corporate bond with a similar credit rating to TT Electronics Plc.

The growth rates assume that demand for our products remains broadly in line with the underlying economic environment in the long-term future. Taking into account our expectation of future market conditions, we believe that the evolution of selling prices and cost measures put into place will lead to a sustained improvement in profitability.

Management has detailed plans in place reflecting the latest budget and strategic growth plan. The pre-tax discount rates and periods of management approved forecasts are shown below. The discount rates used in the annual impairment test for the year ended 31 December 2023 are shown below:

	2023			2022		
	Pre-tax discount rate	Long term growth rate	Period of forecast (years)	Pre-tax discount rate	Long term growth rate	Period of forecast (years)
Power Solutions	13.8%	2.0%	5	13.4%	1.7%	5
IoT Solutions	14.1%	1.9%	5	14.3%	1.6%	5
Global Manufacturing Solutions	16.5%	3.1%	5	13.8%	1.9%	5
Resistors	13.8%	1.9%	5	13.5%	1.6%	5
Sensors	13.6%	2.0%	5	13.2%	1.7%	5

The date of the annual impairment test was 30 September 2023 to align with internal forecasting and review processes. The impairment tests for were performed as of September, with an additional impairment test for IoT Solutions and GMS being tested as of December following the transfer of part of the CGU to assets classified as held for sale. No impairment losses have been recognised in the current year in respect of the other CGUs as recoverable amounts exceed carrying value of assets in respect of those businesses. Sensitivity analysis has been provided in respect of reasonably possible changes to key assumptions where applicable.

Key assumptions in the value in use test are the projected performance of the CGUs based on sales growth rates, cash flow forecasts and discount rate. Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities within each CGU. The key assumptions include externally obtained growth rates in the key markets disclosed in note 3 and customer demand for product lines. Cash flow forecasts are determined based on historic experience of operating margins, adjusted for the impact of changes in product mix and cost-saving initiatives, including the impact of our restructuring projects and cash conversion based on historical experience.

The recoverable amounts associated with the goodwill balances which are based on these performance projections and current forecast information do not indicate that any goodwill balance is impaired. If a company's actual performance does not meet these projections this could lead to an impairment of the goodwill in future periods.

5 Goodwill continued

Sensitivity Analysis

Sensitivity analysis has been performed on the key assumptions; operating cash flow projections, revenue growth rates and discount rate. Cash flows can be impacted by changes to sales prices, direct costs and replacement capital expenditure; individually they are not significant assumptions.

The directors have not identified reasonably possible changes in significant assumptions that would cause the recoverable amount to fall below the carrying value of recognised goodwill.

6 Finance costs and finance income

£million	2023	2022
Interest income	0.1	0.1
Net interest income on pension schemes in surplus	1.5	2.2
Finance income	1.6	2.3
Interest expense	9.9	7.1
Interest on lease liabilities	0.8	0.8
Net interest expense on pension schemes in deficit	0.1	0.1
Amortisation of arrangement fees	0.6	1.0
Finance costs	11.4	9.0
Net finance costs	9.8	6.7

Within 'Amortisation of arrangement fees' is an expense of £nil (2022: £0.5 million) relating to the acceleration of capitalised loan arrangement fees.

7 Adjusting items

As described in note 2, adjusted profit measures are an alternative performance measure used by the Board to monitor the operating performance of the Group.

	2023		2022	
£million	Operating profit	Tax	Operating profit	Tax
As reported	8.7	(5.7)	(3.4)	(3.1)
Restructuring costs				
Restructuring costs	(2.0)	0.7	(6.4)	1.2
	(2.0)	0.7	(6.4)	1.2
Pension restructuring costs				
Pension restructuring costs	(1.9)	0.7	(2.0)	0.4
Pension enhanced transfer value exercise	-	-	(11.8)	2.2
	(1.9)	0.7	(13.8)	2.6
Asset impairments and measurement losses				
Goodwill impairment	-	-	(17.7)	-
Asset impairments	-	-	(5.4)	1.0
Measurement loss on assets classified as held for sale	(32.5)	-	-	-
	(32.5)	-	(23.1)	1.0
Amortisation of intangible assets arising on business combinations				
Amortisation of intangible assets arising on business combinations	(4.6)	1.6	(6.0)	0.3
	(4.6)	1.6	(6.0)	0.3
Acquisition and disposal related costs				
Torotel integration costs	(0.4)	0.1	(0.1)	-
Ferranti Power and Control acquisition and integration costs	(1.3)	0.2	(1.1)	0.2
Disposal costs	(1.2)	0.2	-	-
Other	(0.2)	-	-	-
	(3.1)	0.5	(1.2)	0.2
Total items excluded from adjusted measure	(44.1)	3.5	(50.5)	5.3
Adjusted measure	52.8	(9.2)	47.1	(8.4)

Restructuring costs £2.0 million (2022: £6.4 million)

Restructuring costs charged in the period primarily relate to costs associated with the relocation of production facilities from our USA site in Covina to Kansas (£1.9 million), representing the last stage of the self-help programme which started in 2020.

Prior year's restructuring costs of £6.4 million comprise £2.7 million relating to the restructure of the North America Resistors business, which includes pre-production costs at our new Plano facility; £2.0 million relating to closure of our site in Lutterworth, UK, £1.5 million relating to the relocation of production facilities from Covina, USA to Kansas, USA and £0.2 million relating to the relocation of production facilities from Medina, USA to Minneapolis, USA.

Pension restructuring costs £1.9 million (2022: £13.8 million)

Pension restructuring costs of £1.9 million (2022: £2.0 million relating to costs associated with the enhanced transfer value exercise) relate to costs associated with scheme buy-outs. Prior period's pension enhanced transfer value exercise of £11.8 million represents the settlement cost of a liability management exercise undertaken ahead of the buy-in completed in 2022.

Amortisation of intangible assets arising on business combinations £4.6 million (2022: £6.0 million)

Amortisation of intangible assets arising on business combinations £4.6 million (2022: £6.0 million) relate to amortisation of the fair value of acquired order books, acquired customer relationships and other intangible assets acquired on business combinations.

7 Adjusting items continued

Asset impairments and measurement losses £32.5 million (2022: £23.1 million)

Measurement loss on assets classified as held for sale of £32.5 million relate to the writing down of assets held for sale in our IoT Solutions and GMS CGUs, further information is disclosed in note 4.

Prior year asset impairments of £23.1 million comprise £17.7 million to reduce the carrying value of the IoT Solutions CGU to the recoverable amount and £5.4 million associated with Virolens related assets both of which were as a result of revised forecasts in the context of a weaker macro-economic environment and the impact of the evolution of the COVID pandemic on the potential demand for COVID testing.

Acquisition and disposal related costs £3.1 million (2022: £1.2 million)

Acquisition and disposal related costs charged in the year comprise £1.2 million (2022: £nil) relating to costs incurred in preparing held for sale assets and liabilities for sale; £1.3 million (2022: £0.3 million acquisition and £0.8 million integration) of integration costs relating to the acquisition of the Power and Control business of Ferranti Technologies Ltd based in Oldham, UK and £0.4 million (2022: £0.1 million) of integration costs of Torotel, Inc.; and £0.2 million relating to other costs.

8 Taxation

a) Analysis of the tax charge for the year

£million	2023	2022
Current tax		
Current income tax charge	11.1	9.1
Adjustments in respect of current income tax of previous year	1.9	(0.5)
Total current tax charge	13.0	8.6
Deferred tax		
Relating to origination and reversal of temporary differences	(2.9)	(3.4)
Change in tax rate	-	(1.2)
Adjustments in respect of deferred tax of previous years	(4.4)	(0.9)
Total deferred tax credit	(7.3)	(5.5)
Total tax charge in the income statement	5.7	3.1

The enacted UK tax rate applicable from 1 April 2017 to 31 March 2023 was 19%. From 1 April 2023 the UK tax rate increased to 25%. The applicable tax rate for the period is based on the UK standard rate of corporation tax of 23.5% (2022: 19%). Overseas taxation is calculated at the rates prevailing in the respective jurisdictions. The Group's effective tax rate for the year was -518% (the adjusted tax rate was 21.4%, see section 'Reconciliation of KPIs and non IFRS measures'). Included within the total tax charge above is a £3.5 million credit relating to items reported outside adjusted profit (2022: £5.3 million credit).

b) Reconciliation of the total tax charge for the year

£million	2023	2022
Loss before tax from continuing operations	(1.1)	(10.1)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 23.5% (2022: 19%)	(0.2)	(1.9)
Effects of:		
Impact on deferred tax arising from changes in tax rates	0.1	(1.2)
Overseas tax rate differences	(0.5)	0.8
Items not deductible for tax purposes or income not taxable	9.6	8.8
Adjustment to current tax in respect of prior periods	0.1	(0.5)
Current year tax losses and other items not recognised	(0.8)	(2.0)
Adjustments in respect of deferred tax of previous years	(2.6)	(0.9)
Total tax charge reported in the income statement	5.7	3.1

The overall aim of the Group's tax strategy is to support business operations by ensuring a sustainable tax rate, mitigating tax risks in a timely and cost-efficient way and complying with tax legislation in the jurisdictions in which the Group operates. It is however inevitable that the Group will be subject to routine tax audits or is in ongoing disputes with tax authorities in the multiple jurisdictions it operates within. This is much more likely to arise in situations involving more than one tax jurisdiction. Differences in interpretation of legislation, of global standards (e.g. OECD guidance) and of commercial transactions undertaken by the Group between different tax authorities are one of the main causes of tax exposures and tax risks for the Group.

In order to manage the risk to the Group an assessment is made of such tax exposures and provisions are created using the best estimate of the most likely amount to be incurred within a range of possible outcomes. The resolution of the Group's tax exposures can take a considerable period of time to conclude and, in some circumstances, it can be difficult to predict the final outcome.

The current tax liability at 31 December 2023 includes tax provisions of £9.3 million (2022: £8.4 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £12.3 million (2022: £11.1 million).

9 Dividends

	2023 pence per share	2023 £million	2022 pence per share	2022 £million
Final dividend paid for prior year	4.30	7.5	3.80	6.7
Interim dividend declared for current year	2.15	3.8	2.00	3.5

The Directors recommend a final dividend of 4.65 pence per share. The Group has a progressive dividend policy. The final dividend will be paid on 15 May 2024 to shareholders on the register on 12 April 2024.

10 Earnings per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of shares in issue during the year.

Pence	2023	2022
Loss per share		
Basic	(3.9)	(7.5)
Diluted	(3.9)	(7.5)

As the Group made a statutory loss in 2023 and 2022, diluted statutory EPS for 2023 and 2022 has been calculated using the basic weighted average number of shares because using weighted average diluted shares would be anti-dilutive.

The numbers used in calculating adjusted, basic and diluted earnings per share are shown below. Adjusted earnings per share is based on the adjusted profit after interest and tax.

10 Earnings per share continued

Adjusted earnings per share:

£million (unless otherwise stated)	2023	2022
Loss for the year attributable to owners of the Company	(6.8)	(13.2)
Restructuring costs	2.0	6.4
Pension restructuring costs	1.9	13.8
Asset impairments and measurement losses	32.5	23.1
Amortisation of intangible assets arising on business combinations	4.6	6.0
Acquisition and disposal related costs	3.1	1.2
Tax effect of above items	(3.5)	(5.3)
Adjusted earnings	33.8	32.0
Adjusted earnings per share (pence)	19.2	18.2
Adjusted diluted earnings per share (pence)	19.0	18.0

The weighted average number of shares in issue is as follows (new shares issued in the year described in note 13):

million	2023	2022
Basic	175.6	175.8
Adjustment for share awards	2.6	2.0
Diluted	178.2	177.8

11 Reconciliation of net cash flow to movement in net debt

Net cash of £76.5 million (2022: £61.3 million) comprises cash at bank and in hand of £74.1 million (2022: £65.0 million), overdrafts of £1.2 million (2022: £3.7 million) and cash within assets held for sale of £3.6 million.

£million	Net cash	Lease liabilities	Borrowings	Net debt
At 1 January 2022	67.2	(22.6)	(147.1)	(102.5)
Cash flow	(9.2)	-	-	(9.2)
Businesses acquired	-	(0.2)	-	(0.2)
Repayment of borrowings	-	-	149.3	149.3
Proceeds from borrowings	-	-	(174.3)	(174.3)
Payment of lease liabilities	-	4.3	-	4.3
New leases	-	(2.3)	-	(2.3)
Net movement in loan arrangement fees	-	-	0.7	0.7
Exchange differences	3.3	(2.3)	(5.2)	(4.2)
At 31 December 2022	61.3	(23.1)	(176.6)	(138.4)
Cash flow	19.3	-	-	19.3
Transferred to held for sale	(3.6)	2.6	-	(1.0)
Repayment of borrowings	-	-	26.1	26.1
Proceeds from borrowings	-	-	(32.7)	(32.7)
Payment of lease liabilities	-	4.4	-	4.4
New leases	-	(3.4)	-	(3.4)
Net movement in loan arrangement fees	-	-	(0.1)	(0.1)
Exchange differences	(4.1)	1.3	1.4	(1.4)
At 31 December 2023	72.9	(18.2)	(181.9)	(127.2)
Included within assets classified as held for sale and associated liabilities	3.6	(2.6)	-	1.0
At 31 December 2023	76.5	(20.8)	(181.9)	(126.2)

The Group's primary source of finance is the £162.4 million committed revolving credit facility (RCF), and an uncommitted accordion facility of £17.6 million, which was signed in June 2022. The Group's RCF is payable on a floating rate basis above GBP SONIA or USD depending on the currency of the loan and will mature in June 2027. As at 31 December 2023, £108.8 million (31 December 2022: £103.6 million) of the facility was drawn down. Arrangement fees with amortised cost of £1.9 million (2022: £2.0 million) have been netted off against these borrowings.

The interest margin payable on the facility is based on the Group's compliance with financial covenants, net debt / adjusted EBITDA (bank covenant) and is payable on a floating basis above GBP SONIA, or USD SOFR depending on the currency of denomination of the loan.

In December 2021 the Group issued £75.0 million of unsecured loan notes with £37.5 million maturing in seven years and £37.5 million maturing in 10 years respectively to a collection of three counterparties. The average interest rate on the loan notes is 2.9 per cent.

12 Retirement benefit schemes

Defined contribution schemes

The Group operates 401(k) plans in North America and defined contribution arrangements in the rest of the world. The assets of these schemes are held independently of the Group and are not on its balance sheet. The total contributions charged by the Group in respect of defined contribution schemes were £3.5 million (2022: £3.2 million).

Defined benefit schemes

At 31 December 2023 the Group operated one defined benefit schemes in the UK (the TT Group (1993) Pension Scheme) and one overseas defined benefit scheme in the USA. These schemes are closed to new members and the UK scheme is closed to future accrual.

The TT Group scheme commenced in 1993 and increased in size in 2006, 2007 and 2019 through the mergers of former UK schemes following a number of acquisitions. The parent company is the sponsoring employer in the TT Group scheme. The TT Group scheme is governed by TTG Pension Trustees Limited (the "Trustee") that has control over the operation, funding and investment strategy in consultation with the Group.

In November 2022, the Trustees of the TT Group Scheme entered into a bulk annuity insurance contract with an insurer in respect of the liabilities of the defined benefit scheme ('buy-in'). The insurer will pay into the Scheme cash matching the benefits due to members. The Trustee is of the opinion that this investment decision is appropriate, reduces the risks in the Scheme and provides additional security for the benefits due to members of the Scheme. The Trustee continues to be responsible for running the Scheme and retains the legal obligation for the benefits provided under the Scheme.

As the buy-in policy is a qualifying insurance asset, the fair value of the insurance policy is deemed to be the present value of the obligations that have been insured. The policy secured matches the benefits due to Scheme members under the Scheme's Trust Deed and Rules.

Since the assets of the Scheme were greater than the premium required to secure the liabilities through the buy-in, the Scheme Is in a net asset position at 31 December 2023 of £25.3 million. A 'true-up premium/refund' may be payable to/from the insurer during 2024, subject to a data cleanse exercise to formally agree the final benefits that are covered by the buy-in contract.

Prior to the buy-in, the TT Group scheme exposed the Group to a number of actuarial risks such as longevity risk, currency risk, inflation risk, interest rate risk and market (investment) risk. The buy-in mitigates the majority of these risks and the principal risk remaining is the credit risk associated with the insurer, which is assessed to be very low.

UK legislation requires the Trustee to carry out a statutory funding valuation at least every three years and to target full funding against a basis that prudently reflects the TT Group scheme's risk exposure. The last triennial valuation of the TT Group scheme as at April 2022 showed a net surplus of £45.4 million against the Trustee's statutory funding objective.

The Trustee, in conjunction with the Group, has a duty to ensure that the TT Group scheme has an appropriate funding strategy in place that meets any local statutory requirements. The objective, which has been negotiated and agreed between the Group and the Trustee, is that the TT Group scheme should target and then maintain 100% funding on a basis that should ensure benefits can be paid as they fall due. Any shortfall in the assets relative to the funding target will be financed over a period that ensures the contributions are reasonably affordable to the Group.

Due to the favourable funding position the Trustee and Company have agreed that there was no requirement for any further funding contributions to the TT Group scheme. In December 2023 an initial £5.0 million refund of the surplus was paid to the group out of scheme assets by the Trustee (£3.2 million after tax suffered by the scheme).

An analysis of the pension surplus/(deficit) by scheme is shown below:

£million	**At 31 December 2023**	At 31 December 2022
TT Group (1993)	**25.3**	31.3
USA schemes	**(3.1)**	(2.9)
Net surplus	**22.2**	28.4

Amounts recognised in the consolidated income statement are:

£million	**2023**	2022
Scheme administration costs	**(1.9)**	(1.2)
Net loss on pension projects (excluded from adjusted operating profit)	**(1.3)**	(13.8)
Net interest credit	**1.4**	2.1

13 Share capital

Share capital

£million	2023	2022
Issued and fully paid		
177,371,049 (2022: 176,486,627) ordinary shares of 25p each	44.3	44.1

During the period the Company issued 884,422 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans.

The performance conditions of the Restricted Share Plan awards issued in 2020, 2021 and 2022 were met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration. The performance conditions of the Long-term Incentive Plan awards issued in 2020 were not met and therefore no new shares were issued to award holders.

The aggregate consideration received for all share issues during the year was £1.3 million which was represented by a £0.2 million increase in share capital and a £1.1 million increase in share premium.

14 Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.
No related party transactions have taken place in 2022 or 2021 that have affected the financial position or performance of the Group.

15 Subsequent events

On 4 March 2024 the Group announced the agreement to sell three business operating units within the Global Manufacturing Solutions and Power and Connectivity segments to the Cicor Group for a cash consideration of £20.8 million on a cash and debt free basis subject to normal working capital adjustments. The assets and related liabilities of the disposal group are shown as being held for sale as at 31 December 2023 as detailed in note 4.

Principal risk and uncertainties

The Group continues to be exposed to operational and financial risks and has an established, structured approach to identifying, assessing, and managing those risks. These risks relate to the following areas: general revenue reduction; contractual risks; research and development; people and capability; supplier resilience; IT systems and information; M&A and integration; sustainability, climate change and the environment; health and safety; legal and regulatory compliance and geopolitical risks.

Reconciliation of KPIs and non IFRS measures

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), additional information is provided on the APMs used by the Group below.

To assist with the understanding of earnings trends, the Group has included within its financial statements APMs adjusted operating profit and other adjusted profit measures. The APMs used are not defined terms under IFRS and therefore may not be comparable to similar measures used by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Management uses adjusted measures to assess the operating performance of the Group, having adjusted for specific items as detailed in note 7. They form the basis of internal management accounts and are used for decision making, including capital allocation, with a subset also forming the basis of internal incentive arrangements. By using adjusted measures in segmental reporting, this enables readers of the financial statements to recognise how incentive performance is targeted. Adjusted measures are also presented in this announcement because the Directors believe they provide additional useful information to shareholders on comparable trends over time. Finally, this presentation allows for separate disclosure and specific narrative to be included concerning the adjusting items; this helps to ensure performance in any one year can be more clearly understood by the user of the financial statements.

Income statement measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted operating profit	Operating profit	Adjusting items as disclosed in note 7	Adjusted operating profit has been defined as operating profit from continuing operations excluding the impacts of significant restructuring programmes, significant one-off items including property disposals, impairment charges significant in nature and/or value, business acquisition, integration, and divestment related activity; and the amortisation of intangible assets recognised on acquisition. Acquisition and disposal related items include the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Restructuring includes significant changes in footprint (including movement of production facilities) and significant costs of management changes. To provide a measure of the operating profits excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Adjusted operating margin	Operating profit margin	Adjusting items as disclosed in note 7	Adjusted operating profit as a percentage of revenue. To provide a measure of the operating profits excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Adjusted earnings per share	Earnings per share	See note 10 for the reconciliation and calculation of adjusted earnings per share	The profit for the year attributable to the owners of the Group adjusted to exclude the items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year. To provide a measure of Earnings per Share excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.

Income statement measures continued:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted diluted earnings per share	Diluted earnings per share	See note 10 for the reconciliation and calculation of adjusted diluted earnings per share	The profit for the year attributable to the owners of the Group adjusted to exclude the items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year, adjusted for the effects of any potentially dilutive options. To provide a measure of Earnings per Share excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Organic revenue	Revenue	See note APM 1	This is the percentage change in revenue from continuing operations in the current year compared to the prior year, excluding the effects of currency movements, acquisitions and disposals. This measures the underlying growth or decline of the business. To provide a comparable view of the revenue growth of the business from period to period excluding acquisition and foreign exchange impacts.
Adjusted effective tax charge	Effective tax charge	See note APM 2	Tax charge adjusted to exclude tax on items not included within adjusted operating profit divided by adjusted profit before tax, which is also adjusted to exclude the items not included within adjusted operating profit. To provide a tax rate which excludes the impact of adjusting items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Return on invested capital	None	See note APM 3	Adjusted operating profit for the year divided by average invested capital for the year. Average invested capital excludes pensions, provisions, tax balances, derivative financial assets and liabilities, cash and borrowings and is calculated at average rates taking twelve monthly balances. This measures how efficiently assets are utilised to generate returns with the target of exceeding the cost to hold the assets.

Statement of financial position measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Net debt	Cash and cash equivalents less borrowings and lease liabilities	Reconciliation of net cash flow to movement in net debt (note 11)	Net debt comprises cash and cash equivalents and borrowings including lease liabilities. This is additional information provided which may be helpful to the user in understanding the liquidity and financial structure of the business.
Leverage (bank covenant)	None	See note APM 11	Leverage is the net debt defined as per the banking covenants (net debt (excluding lease liabilities) adjusted for certain terms as per the bank covenants) divided by EBITDA excluding items removed from adjusted profit and further adjusted for certain terms as per the bank covenants. Provides additional information over the Group's financial covenants to assist with assessing solvency and liquidity.
Net capital and development expenditure (net capex)	None	See note APM 4	Purchase of property, plant and equipment net of government grants (excluding property disposals), purchase of intangibles (excluding acquisition intangibles) and capitalised development. A measure of the Group's investments in capex and development to support longer term growth.
Dividend per share	Dividend per share	Not applicable	Amounts payable by dividend in terms of pence per share. Provides the dividend return per share to shareholders.

Statement of cash flows measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted operating cash flow	Operating cash flow	See note APM 5	Adjusted operating profit, excluding depreciation of property, plant and equipment (depreciation of right-of-use assets is not excluded) and amortisation of intangible assets (amortisation of acquisition intangibles is not excluded) less working capital and other non-cash movements. An additional measure to help understand the Group's operating cash generation.
Adjusted operating cash flow post capex	Operating cash flow	See note APM 6	Adjusted operating cash flow less net capital and development expenditure. An additional measure to help understand the Group's operating cash generation after the deduction of capex.
Working capital cashflow	Cashflow - inventories payables, provisions and receivables	See note APM 7	Working capital comprises of three statutory cashflow figures: (increase)/decrease in inventories, increase/(decrease) in payables and provisions, and (increase)/decrease in receivables. To provide users a measure of how effectively the group is managing its working capital and the resultant impact on liquidity.
Free cash flow	Net increase/ decrease in cash and cash equivalents	See note APM 8	Free cash flow represents cash generated from trading after all costs including restructuring, pension contributions, tax and interest payments. Cashflows to settle share based payment schemes are excluded. Free cash flow provides a measure of how successful the company is in creating cash during the period which is then able to be used by the Group at its discretion.
Cash conversion	None	See note APM 9	Adjusted operating cash flow post capex (less any property disposals which were part of restructuring programmes) divided by adjusted operating profit. Cash conversion measures how effectively we convert profit into cash and tracks the management of our working capital and capital expenditure.
R&D cash spend as a percentage of revenue	None	See note APM 10	R&D cash spend and R&D investment as a percentage of revenue excludes Global Manufacturing Solutions which is a manufacturing services business and therefore has no R&D. To provide a measure of the company's expenditure on R&D relative to its overall size which may be helpful in considering the Group's longer term investment in future product pipeline.

Non-financial measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition
Employee engagement	Not applicable	Not applicable	We use our employee survey to measure how our employees feel about working in TT using a scale of 1 (low) to 7 (high) against eight factors (as surveyed by Best Companies Ltd). A company is awarded between zero and three stars based on the employee feedback. Provides a measure of employee sentiment and engagement.
Safety performance	Not applicable	Not applicable	Safety performance is defined as the number of occupational injuries resulting in three or more days' absence per 1,000 employees. This KPI allows us to compare our performance with that of our peers. We use a UK benchmark published by the Health and Safety Executive and apply this to all our facilities worldwide, reflecting our commitment to raising standards globally. Provides users additional information about the Group's commitment and achievements in the area of health and safety.

APM 1 - Organic revenue:

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total
2023 revenue	169.7	299.2	145.0	**613.9**
2022 revenue	154.2	323.0	139.8	**617.0**
Foreign exchange impact	(0.4)	(10.9)	-	**(11.3)**
2022 revenue at 2023 exchange rates	153.8	312.1	139.8	**605.7**
Organic revenue increase (%)	10%	-4%	4%	1%

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total
2022 revenue	154.2	323.0	139.8	617.0
Acquisitions	7.9	-	-	7.9
2022 revenue (excluding acquisitions)	146.3	323.0	139.8	609.1
2021 revenue	140.2	220.1	115.9	476.2
Foreign exchange impact	7.2	15.4	8.9	31.5
2021 revenue at 2022 exchange rates	147.4	235.5	124.8	507.7
Organic revenue increase (%)	(1%)	37%	12%	20%

APM 2 – Effective tax charge:

£million	2023	2022
Adjusted operating profit	52.8	47.1
Net interest	(9.8)	(6.7)
Adjusted profit before tax	43.0	40.4
Adjusted tax	(9.2)	(8.4)
Adjusted effective tax rate	21.4%	20.8%

APM 3 – Return on invested capital:

£million	2023	2022
Adjusted operating profit	52.8	47.1
Average invested capital	440.0	448.6
Return on invested capital	12.0%	10.5%

APM 4 - Net capital and development expenditure (net capex):

£million	2023	2022
Purchase of property, plant and equipment	(22.3)	(11.4)
Proceeds from sale of investment property, plant and equipment and capital grants received	0.5	0.3
Capitalised development expenditure	(1.6)	(2.3)
Purchase of other intangibles	(0.6)	(0.6)
Net capital and development expenditure	(24.0)	(14.0)

APM 5 - Adjusted operating cash flow:

£million	2023	2022
Adjusted operating profit	52.8	47.1
Adjustments for:		
Depreciation	14.0	13.9
Amortisation of intangible assets	2.5	2.2
Share based payment expense	3.1	4.8
Reimbursement of pension surplus	1.6	-
Other items	(0.7)	0.5
Decrease/(increase) in inventories	4.5	(40.4)
Decrease/(increase) in receivables	10.5	(26.3)
(Decrease)/increase in payables and provisions	(15.5)	27.9
Adjusted operating cash flow	72.8	29.7
Special payments to pension funds	3.2	-
Restructuring and acquisition related costs	(4.0)	(11.1)
Net cash generated from operations	72.0	18.6
Net income taxes paid	(9.1)	(5.9)
Net cash flow from operating activities	62.9	12.7

APM 6 - Adjusted operating cash flow post capex:

£million	2023	2022
Adjusted operating cash flow	72.8	29.7
Purchase of property, plant and equipment	(22.3)	(11.4)
Proceeds from sale of property, plant and equipment and government grants received	0.5	0.3
Capitalised development expenditure	(1.6)	(2.3)
Purchase of other intangibles	(0.6)	(0.6)
Adjusted operating cash flow post capex	48.8	15.7

APM 7 – Working capital cashflow:

£million	2023	2022
(Increase)/decrease in inventories	4.5	(40.4)
(Increase)/decrease in receivables	10.5	(26.3)
Increase/(decrease) in payables and provisions	(15.5)	27.9
Working capital cashflow	(0.5)	(38.8)

APM 8 – Free cash flow:

£million	2023	2022
Net cash flow from operating activities	62.9	12.7
Net cash flow from investing activities	(24.0)	(22.3)
Add back: Acquisition of business	-	8.3
Payment of lease liabilities	(4.4)	(4.3)
Interest paid	(10.6)	(7.5)
Free cash flow	23.9	(13.1)

APM 9 – Cash conversion:

£million	2023	2022
Adjusted operating profit	52.8	47.1
Adjusted operating cash flow post capex	48.8	15.7
Cash conversion	92%	33%

APM 10 - R&D cash spend as a percentage of revenue:

£million	2023	2022
Revenue (excluding GMS)	314.7	294.0
R&D cash spend	10.8	11.0
R&D cash spend as a percentage of revenue	3.4%	3.7%

APM 11 - Leverage:

£million	2023	2022
Adjusted operating profit	52.8	47.1
Depreciation	14.0	13.9
Amortisation	2.5	2.2
EBITDA	69.3	63.2
Adjustment to align with covenants	(5.3)	(5.1)
EBITDA (covenants)	64.0	58.1
Net debt as per note 26	126.2	138.4
Less: leases	20.8	23.1
Net debt excluding leases	105.4	115.3
Adjustment to align with covenants	1.2	(0.1)
Net debt (covenants)	106.6	115.2
Leverage	(1.7)	(2.0)